

**DEPARTMENT OF FINANCIAL INSTITUTIONS**  
**MINUTES OF MEETING**  
**OCTOBER 14, 1993, 10:00 AM EST**

The Members of the Department of Financial Institutions met at 10:00 a.m., EST, at 402 West Washington Street, Room W-066, Indianapolis, Indiana, on Thursday, October 14, 1993. Members present were Messrs. Mark Hasten, presiding, W. Paul Wolf, Anthony Zaleski, Jr., Daniel Leitch, Douglas Grant, and Mrs. Dee Godme. Also present from the Department were Director Charles W. Phillips, J. Philip Goddard, Legal Counsel; James M. Cooper, Supervisor, Mergers and Acquisitions; Kirk J. Schreiber, Bank Analyst; Eric Roberts, Bank Analyst; Randall L. Rowe, Bank Supervisor; Robert E. Haler, Supervisor, Consumer Credit Division; Mark Tarpey and Maurice Beavers, Consumer Credit Division; Mark K. Powell, Supervisor, Credit Unions; and Ronda K. Bailey, Secretary. Board Member Norman Lowery was absent.

**I. PUBLIC SESSION**

- A.) Attendance
- B.) The dates of the next Members Meetings were set for October 25, 1993, at 9:00 a.m. EST, and November 9, 1993, at 9:00 a.m. EST. **(PLEASE MAKE A NOTE OF THE CHANGE IN MEETING TIME)**
- C.) Approval of the minutes of the meeting held September 9, 1993. A motion was made for approval of the minutes by Mr. Wolf, and seconded by Mr. Zaleski. The minutes were unanimously approved.

**DIVISION OF BANKS AND TRUST COMPANIES**

**A.) West End Federal Savings Bank, Richmond, Wayne County, Indiana**

West End Federal Savings Bank submitted an application, resolution, and Plan of Conversion to the Department for approval to convert from a federal savings bank to a state-chartered, mutual savings bank pursuant to IC 28-1-21.7-10. Mr. Eric Roberts, Senior Bank Analyst, presented this item to the Members. West End is a federal savings bank which is regulated by the Office of Thrift Supervision. On August 30, 1993, the Board of Directors of West End adopted a resolution which authorized the savings bank to obtain all necessary regulatory approvals to consummate a mutual bank conversion. West End intends to convert to a State mutual savings bank to be known as "West End Savings Bank" and to be governed by the provisions of IC 28-6.1. The institution will then be regulated by the Department of Financial Institutions and the Federal Deposit Insurance Corporation. The Office of Thrift Supervision as well as the Department must both approve this plan of conversion. Upon the conversion, the institution will continue to be insured by the Savings Association Insurance Fund.

An examination of West End was conducted by the Department as of July 31, 1993. It was determined that net operating income was 1.19% of average assets for 1992. The associations three year average (ROA) is .82%. Low overhead expenses and the virtual absence of provisions to the allowance for loan and lease losses has also contributed to maintaining profitability at an adequate level. The net interest margin was 3.73% for the year ending December 31, 1992. West End's level of capital is considered adequate as the tier 1 leverage capital ratio as of July 31, 1993, is 11.63%. The tier 1 risk based capital ratio was 23.82% as of the same date. Moderate growth, good profitability, and low risk in the asset structure contributes to the soundness of the capital position. It is the staff's opinion that the level of capital is adequate. The capital ratios exceed all minimum capital requirements, in that as of June 30, 1992, the applicants tangible, core, and risk based capital ratios were 10.8%, 10.8%, and 21.00%, respectively. It was the staff's opinion that the proposed bank conversion will not result in a mutual bank that has inadequate capital, unsatisfactory management, or poor earnings prospects. The management was found to be qualified by character and financial responsibility to operate in a legal and proper manner the mutual bank proposed to be formed as a result of this conversion. In addition, it was found that the interest of the depositors, creditors, and the public will not be jeopardized by the proposed mutual bank conversion. A motion was made for approval by Mr. Leitch and seconded by Mr. Grant. The application was unanimously approved.

**B.) Home Loan Bank, SB, Fort Wayne, Allen County, Indiana**

Home Loan Bank, SB submitted an application, resolution, and Plan of Conversion to the Department for approval to convert from a state-chartered building and loan association to a state-chartered mutual savings bank, pursuant to IC 28-1-21.7-10. The name of the proposed converted institution will be "Home Loan Bank, SB." Mr. Wolf, due to his involvement with the applicant, excused himself from participating in any discussion or voting on this item. The most recent examination of the applicant was conducted by the Office of Thrift Supervision as of March 16, 1993. Mr. Kirk Schreiber, Bank Analyst, reported to the Members that the applicants level of capital was adequate based upon the low level of interest rate risk exposure, low level of classified assets, and continued profitability. Capital ratios exceed all minimum capital requirements and

as of December 31, 1992, the bank's tangible, core, and risk based capital ratios were 8.5%, 8.5%, and 21.1%, respectively. The examination revealed strong asset quality as evidenced by the low level of classified assets. Delinquent loans represent 0.20% of net assets. The bank's conservative lending philosophy, good loan underwriting standards, and adequate collection efforts, assist the bank in maintaining low delinquencies. Mr. Schreiber added that the applicant had adequate capital, adequate liquidity, improved earnings, and a very competent management team. In addition, investments are conservative, saleable and liquid. The Board of Directors provide effective direction to management. Upon a motion for approval by Mr. Grant and seconded by Mr. Leitch, the conversion was approved. Mr. Wolf abstained.

### **CONSUMER CREDIT DIVISION**

- A.) Western Diversified Services, Inc. requested that the Department make a determination that their charges on debt cancellation contracts are reasonable in relation to the benefits received and that a benefit does result to a buyer or debtor of such contracts. IC 24-4.5-2-202(1)(c) and IC 24-4.5-3-202(1)(e) permit sellers and lenders to impose additional charges on transactions which are not otherwise provided for. Mr. Mark Tarpey, Division Coordinator, Consumer Credit Division, introduced the information that has been provided to the Department and gave a background chronology as to what this application concerns itself with and its similarity with the charge for a debt cancellation program, which the Members previously approved for Huntington National Bank. Mr. Howard Cohen of the law firm of Locke, Reynolds, Boyd & Weisell, represented Western Diversified and also presented historical background information distinguishing this matter from the Huntington situation for purposes of justifying a \$385.00 fee. It was pointed out by Mr. Cohen that this program contained greater risks and covers balloon loans and loans in excess of 61 months. Mr. Tarpey added that Western Diversified had already made their product available in Indiana and have several contracts presently in force without having obtained approval from the Department.

Mr. J. Philip Goddard of the Department also questioned the standing that Western Diversified had relative to the car dealers they represent, when there was no indication or evidence that such dealers had authorized Western to represent them before the Members on this matter. There was also a discussion as to how Western will handle the accounts already in effect and Western presented a plan to make proper refund or credit. The Members and Mr. Cohen discussed whether this constituted insurance or not, and Mr. Cohen responded that it does not constitute insurance and cited an Arkansas case in support of this conclusion, and his conversations with the Department of Insurance. There were several questions which became apparent that the staff of the Department had not had an opportunity to research or explore. Mr. Zaleski made a motion that the Members reconsider this item at our next Members meeting after the staff and Mr. Cohen have an opportunity to resolve some the questions raised during the discussions. The motion was seconded by Mrs. Godme and it passed unanimously.

- B.) Mr. Robert Haler, Supervisor, updated the Members concerning legal actions which were being pursued against Budgeteers, Inc. and Hoosier Auto. These matters were resolved without litigation and Budgeteers, Inc. relinquished its Budget Service License and Hoosier Auto complied with our request for the production of its records, so that the Department could make a proper examination of their transactions. This item was for informational purposes only.

### **DIRECTOR'S COMMENTS AND REQUESTS**

- A.) **Cynthiana State Bank, Cynthiana, Posey County, Indiana**  
The bank notified the Department of their intent to form a subsidiary to be known as "CSB Properties, Inc", Cynthiana, Posey County, Indiana, on September 13, 1993. The sole activity of the proposed subsidiary will be to purchase, lease, own, hold, sell, convey, assign, improve, develop, and manage real and personal properties. This item was for informational purposes only.
- B.) **Union Bank and Trust Company, North Vernon, Jennings County, Indiana**  
The bank has notified the Department that they have closed their branch banking office which was known as "Commisky Branch" located at P. O. Box 6, Commisky, Jennings County, Indiana. The office was closed on September 30, 1993 at 1:00 P.M. This is for informational purposes only.
- C.) The Director advised the Members of actions taken pursuant to delegated authority, which were as follows:

## **DIVISION OF BANKS & TRUST COMPANIES**

- 1) **JASPER STATE BANK, JASPER, DUBOIS COUNTY, INDIANA**  
The bank submitted a request to amend its Articles of Incorporation to provide for a change of the name of the institution. The amendment will change the name to "Citizens Bank of Jasper." The request was approved by the Director under Delegated Authority on September 14, 1993.
- 2) **CITIZENS BANK, MOORESVILLE, MORGAN COUNTY, INDIANA**  
The bank submitted a request to establish a branch banking office to be located at 1360 East Morgan Street, Martinsville, Morgan County, Indiana. The bank will operate nine branches after the addition. The request was approved by the Director under Delegated Authority on September 14, 1993.
- 3) **CENTIER BANK, WHITING, LAKE COUNTY, INDIANA**  
The bank submitted a request for permission to establish a branch banking office which will be located 154 West Highway 30, Valparaiso, Porter County, Indiana. The bank will operate nineteen branches after the addition. The request was approved by the Director under Delegated Authority on September 14, 1993.
- 4) **STATE BANK OF LIZTON, LIZTON, HENDRICKS COUNTY, INDIANA**  
The bank submitted a request to establish a branch banking office to be located at 108 North Main Street, Advance, Boone County, Indiana. This will be the applicant's fifth branch. The request was approved by the Director under Delegated Authority on September 14, 1993.
- 5) **STATE BANK OF LIZTON, LIZTON, HENDRICKS COUNTY, INDIANA**  
The bank submitted a request to establish a branch banking office to be located at 2 West Main Street, Jamestown, Boone County, Indiana. This will be the applicant's sixth branch. Notice of the publication was published in a newspaper of general circulation in Marion County on August 19, 1993. The request was approved by the Director under Delegated Authority on September 14, 1993.
- 6) **1ST SOURCE BANK, SOUTH BEND, ST. JOSEPH COUNTY, INDIANA**  
The bank submitted a request to establish a branch banking office to be located at 101 South Main Street, Goshen, Elkhart County, Indiana. This will be the applicant's thirty-fourth branch. The request was approved by the Director under Delegated Authority on September 14, 1993.
- 7) **THE NEW WASHINGTON STATE BANK, NEW WASHINGTON, CLARK COUNTY, INDIANA**  
The bank submitted a request to establish a branch banking office to be located at 1083 Market Street, Charlestown, Clark County, Indiana. The bank will operate two branches after the addition. The request was approved by the Director under Delegated Authority on September 27, 1993.
- 8.) **FIFTH THIRD BANK OF CENTRAL INDIANA, INDIANAPOLIS, MARION COUNTY, INDIANA**  
The bank submitted a request to establish a branch banking office to be located at 9835 Fall Creek Road, Indianapolis, Marion County, Indiana. This will be the applicant's fourteenth branch. The request was approved by the Director under Delegated Authority on September 27, 1993.
- 9) **FIRST OF AMERICA BANK-INDIANAPOLIS, INDIANAPOLIS, MARION COUNTY, INDIANA**  
The bank submitted a request to establish a branch banking office to be located at 4304 Scatterfield Road, Anderson, Madison County, Indiana. The bank will operate 40 branches following the addition. The request was approved by the Director under Delegated Authority on September 27, 1993.
- 10) **OWEN COUNTY BANK, SPENCER, OWEN COUNTY, INDIANA**  
The bank submitted a request to establish a branch banking office to be located at the northwest corner of the intersection of State Road 67 and Border Street, Paragon, Morgan County, Indiana. This will be the applicant's third branch. The request was approved by the Director under Delegated Authority on September 27, 1993.

## **DIVISION OF CREDIT UNIONS**

1. **TEACHERS CREDIT UNION, SOUTH BEND, ST. JOSEPH COUNTY, INDIANA**

Request for approval of a Petition for Approval of Proposed Amendment To the Articles of Incorporation. This amendment would place the following organizations into the field of membership of the credit union:

Circle City Bicycles & Fitness - Indianapolis - 8 members  
J & Y Services - Plymouth - 8 members

McD/500, Inc. - Carmel - 225 members  
Masterguard in Fountain County - Veedersburg - 50 members  
Hogans's Telecommunications, Inc. - South Bend - 3 members  
Calumet Bus Service, Inc. - Boone Grove - 20 members  
Frank T. Polack & Daughter/Polack Realty - South Bend - 5 members  
Holiday Inn-Downtown in St. Joseph County - South Bend - 80 members  
Mark A. Mcnamee, CPA, Inc. - Granger - 2 members  
Ferguson Steel Co., Inc. - Indianapolis - 25 members

The request was approved by the Director under Delegated Authority on September 21, 1993.

2. **JET CREDIT UNION, INDIANAPOLIS, MARION COUNTY, INDIANA**

Request for approval of a Petition for Approval of Proposed Amendment To the Articles of Incorporation.  
This amendment would place the following organizations into the field of membership of the credit union:

Innovation Marketing, Inc. - Indianapolis - 45 members

Priority One Realty - Indianapolis - 1 member  
Shotts Construction Services, Inc. - Indianapolis - 8 members  
InAir Aviation Services - Indianapolis - 11 members  
Integrated Products - Indianapolis - 16 members  
The Charles Nelson Corporation - Zionsville - 40 members

The request was approved by the Director under Delegated Authority on October 4, 1993.

**DIVISION OF CONSUMER CREDIT**

1. A request was submitted for a Pawnbroker's License by American Jewelry & Loan, Inc. The license is to be located in Muncie, Indiana. The applicant is a currently licensed pawnbroker in Muncie under the name Prairie Creek Pawn. The investigation of character, fitness and financial responsibility revealed no derogatory information. The license was approved by the Director under Delegated Authority on September 10, 1993.
2. A request was submitted for a check cashing license by Checks For Cash of Indiana. The license will be located in Michigan City, Indiana. The applicant is a licensed pawnbroker in the same location. The license was approved by the Director under Delegated Authority on September 27, 1993.
3. A request was submitted for a Pawnbroker's License by EZ Pawn Indiana, Inc. The license is to be located in Indianapolis, Indiana. The applicant is a currently licensed pawnbroker in Indianapolis under the same name. The investigation of character, fitness and financial responsibility revealed no derogatory information. The license was approved by the Director under Delegated Authority on September 23, 1993.

There being no further business to come before the Members, the meeting was adjourned.

APPROVED:

ATTEST:

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Mark Hasten, Chairman

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J. Philip Goddard, Secretary